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Chairman: Mr. Ali. . . . . (Malaysia)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Ms. McLurg

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The meeting was called to order at 10.10 a.m.

Agenda item 130: Improving the financial situation of the United Nations (*continued*)

1. **Mr. Sach** (Controller) said his statement would focus on four main financial indicators: assessments issued, unpaid assessed contributions, available cash resources and debt to Member States. The overall picture of the Organization's financial health was mixed, although there had been improvement in some areas.

2. Turning first to the regular budget, he noted that levels of assessment and payments had both been higher in 2007 than they had been in 2006, by $299 million and $259 million respectively. Unpaid assessed contributions had also increased by $67 million, to $428 million as at 31 December 2007. On a positive note, 140 Member States had paid their regular budget assessments in full by the end of the year, one more than in 2006. He urged all Member States that had not yet done so to pay their assessed contributions for 2007 in full as soon as possible. Of the total of $428 million outstanding as at 31 December 2007, over 95 per cent had been owed by just two Member States.

3. A total of 86 Member States had paid their assessed contributions to the regular budget in full by 7 May 2008, two more than by 16 May 2007. The financial position of the regular budget as at 7 May 2008, as compared to its position on 16 May 2007, reflected the net result of lower assessments and fewer payments received. Unpaid assessed contributions had been $72 million lower on 7 May 2008 than they had been a year earlier. Although payments received by 7 May 2008 had been $50 million lower than those received by 16 May 2007, regular budget assessments for 2008 had also decreased by $174 million. Two Member States had owed over 85 per cent of the $1.2 billion outstanding as at 7 May 2008, and it was clear that the overall financial outcome for 2008 would depend in large measure on the action taken by those States.

4. Cash resources for the regular budget consisted of the General Fund, into which assessed contributions were paid, the Working Capital Fund and the Special Account. The increase in the total funds available as at 30 April 2008 had been attributable to a net increase in payments in the first quarter of 2008. There had been a modest increase in the balance on the Special Account, from $233 million on 31 December 2007 to $235 million on 30 April 2008, because accumulated interest had been credited to the account. As far as the month-to-month cash position was concerned, cash flow continued to be most problematic in October and November. The final position for 2008 would depend, to a great extent, on the action taken by the two Member States with the most significant arrears.

5. A number of factors made it very difficult to predict financial outcomes for peacekeeping activities: demand was unpredictable; the financial period for peacekeeping ran from 1 July to 30 June rather than from 1 January to 31 December; assessments were issued separately for each operation; and, since assessments could only be issued for the mandate period approved by the Security Council for each mission, they were issued for different periods throughout the year. All those factors complicated a comparison between the financial situation of peacekeeping operations and that of the regular budget and the International Tribunals.

6. The total amount outstanding for peacekeeping operations at the end of 2007 had stood at over $2.7 billion, approximately $0.8 billion higher than at the end of 2006. That increase had been primarily due to the expansion of peacekeeping operations and the concomitant increase in assessments over the period in question. Approximately two thirds of the total amount outstanding had been owed by two Member States. Due to the unpredictable levels and timing of peacekeeping assessments, it was often more difficult for Member States to keep fully current with their payments. He therefore paid tribute to the 21 Member States that had, as at 31 December 2007, paid all their peacekeeping assessments in full.

7. Although the cash balance in peacekeeping accounts at the end of 2007 had exceeded $2.1 billion, that amount had been divided between the separate accounts maintained for each peacekeeping operation and there were restrictions on its use. The General Assembly had specified that no peacekeeping mission should be financed by borrowing from other active missions, and the terms of reference of the Peacekeeping Reserve Fund restricted its use to new operations and the expansion of existing operations. As at 31 December 2007, cash in the accounts of active missions had totalled approximately $1.481 billion, the Peacekeeping Reserve Fund had had a balance of

$146 million, and the accounts of closed missions had totalled $564 million.

8. The financial position of peacekeeping operations as at 7 May 2008 had shown some improvement. New assessments amounting to over $2.3 billion had been issued by that date, and contributions totalling over $2.8 billion had been received, thereby reducing the amount outstanding from over $2.7 billion to under $2.3 billion. He wished to pay special tribute to the 28 Member States that had paid all their peacekeeping assessments in full by 7 May 2008.

9. According to current estimates, there would be a total of around $2 billion available in peacekeeping accounts at the end of 2008, with $1.3 billion in the accounts of active missions, $521 million in the accounts of closed missions and $156 million in the Peacekeeping Reserve Fund. Of the $521 million expected to be available in the accounts of closed missions at the end of 2008, $304 million would be used for the payment of outstanding liabilities, such as troop and equipment payments, and $6 million related to closed missions with overall cash deficits. That left only $211 million available for cross-borrowing by other accounts, including the regular budget, the International Tribunals and active peacekeeping operations. Cross-borrowing from the accounts of closed peacekeeping operations had been required in 2007 for five active operations, namely, the United Nations Interim Administration Mission in Kosovo, the United Nations Observer Mission in Georgia, the United Nations Mission for the Referendum in Western Sahara, the United Nations Peacekeeping Force in Cyprus and the United Nations Stabilization Mission in Haiti.

10. With regard to debt to Member States, the total amount owed for troops/formed police units and contingent-owned equipment as at 31 December 2007 had decreased to $779 million. New obligations were projected to increase in 2008, primarily as a result of the deployment of troops to the African Union-United Nations Hybrid Operation in Darfur. It was estimated that the total debt would decrease to $728 million by the end of 2008, thereby allowing the Organization to make payments of $1.8 billion. As at 7 May 2008, the total amount owed had stood at $597 million, approximately half of which had been owed to seven Member States. Projected payments for 2008 were dependent on the timely finalization of memorandums of understanding. As at 1 May 2008, 21 per cent of the total number of memorandums of understanding for all peacekeeping missions had yet to be finalized. Naturally, reimbursement levels would also depend on whether or not Member States complied with their financial obligations to the Organization.

11. The financial position of the International Criminal Tribunal for Rwanda and the International Criminal Tribunal for the Former Yugoslavia had improved in 2007. Outstanding assessments for the two Tribunals had fallen from $51 million at the end of 2006 to $34 million at the end of 2007, with over 82 per cent of that amount owed by four Member States. By 31 December 2007, 105 Member States had paid their assessed contributions for both Tribunals in full — six more than by the same date in 2006 — and he urged the remaining Member States to follow their example.

12. The situation in 2008 had continued to improve. Seven more Member States had paid their assessed contributions to both Tribunals in full by 7 May 2008 than by 16 May 2007, and unpaid assessments as at 7 May 2008 had been $6 million lower than as at 16 May 2007. If recent positive cash flow trends continued, the Tribunals should end the year with positive cash balances. Once again, however, the final outcome would depend on Member States continuing to honour their financial obligations.

13. Recalling that the total budget for the capital master plan of $1.8 billion had been approved by the General Assembly on 22 December 2006, he said that 180 Member States had opted for the multi-year payment plan while 12 Member States had chosen to make a one-time payment. As at 7 May 2008, 181 Member States had made payments totalling $696 million and $150 million had remained outstanding. In addition, a number of Member States that had not chosen the one-time payment option had made advance payments totalling $174 million, and 154 Member States had made payments to the working capital reserve, the balance of which, on 7 May 2008, had stood at $44.9 million. As at the same date, 90 Member States had paid their assessed contributions to the capital master plan in full, while a further 91 Member States had made partial payments. Regrettably, however, 11 Member States had not yet made any payments.

14. By way of conclusion, he paid special tribute to the 25 Member States — Andorra, Australia, Austria,

Azerbaijan, Brazil, Canada, Cuba, the Czech Republic, Finland, France, Guatemala, Iceland, Italy, Liechtenstein, Luxembourg, Monaco, New Zealand, Norway, Papua New Guinea, Samoa, Singapore, South Africa, Sweden, Switzerland and the United Kingdom — that had paid in full all assessments due and payable by 7 May 2007. In addition, Denmark had subsequently paid all assessed contributions due and payable. There had been encouraging signs of progress in early 2008, and it was particularly heartening to note the number of Member States that were meeting their financial obligations in full. However, there were still significant amounts outstanding, and the final outcome for 2008 would depend largely on the action to be taken by a handful of countries. In order to maintain the financial health of the Organization, it remained essential to ensure that Member States met their obligations in full and on time.

The meeting rose at 10.35 a.m.